



SENATOR JEFF PLALE
SEVENTH SENATE DISTRICT

CHAIR
COMMITTEE ON COMMERCE, UTILITIES, AND RAIL

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Testimony of State Senator Jeff Plale
Senate Bill 285
24 October 2007

Thank you, members of this committee, for your consideration of SB 285. This bill is, in my opinion, a necessary modification that will bring current law more in step with the reality of the Wisconsin telecommunications marketplace.

This is an industry in the midst of dramatic change. New technologies, products and services are available to consumers all over the state. The traditional land line telephone is no longer the norm in many households and businesses. More and more, customers are opting for wireless products, VoIP phone service or opting to receive digital phone service from their cable company. These new entrants into this market are changing the game much more quickly than the State of Wisconsin can change the rules.

While these changes have, in most cases, benefited consumers with an array of options and better value they have put many of the smaller telecommunications companies at a distinct disadvantage in communities they have served for decades. This legislation will bring some parity back to the industry. In essence, it will help Wisconsin law catch up with the technology it regulates.

This bill will allow traditional companies relief from some of the regulatory requirements they are currently subject to. Since most of the competitive technologies I mentioned previously are subject to little if any regulation at the state level, it puts local companies at a significant disadvantage. This legislation will allow traditional companies to elect a new regulatory model. This will allow them greater pricing flexibility and to streamline the burdensome reporting requirements they must fulfill. In exchange for this regulatory relief, these companies will consent to open their markets without forcing competitors to seek approval from the Public Service Commission. The combined effect of these changes will likely improve consumer value and choice with their current provider. In addition, it will allow competitive providers into communities much more quickly.

Concerns have been raised over the effect this legislation will have on basic local telephone service. I want to thank stakeholders on both sides for their work to find a compromise on this issue. I will support a change to the current language that preserves the regulation of basic local service as it is today. There will be no changes to the regulation basic local service under current law. In addition, it is my intention to work with the industry and the Public Service Commission to clarify or resolve other questions that may arise in the coming weeks.

I will leave the technical explanations as to how this legislation works and why it was necessary from an industry perspective to experts in those areas. In closing, I thank you for your time and ask for your support of SB 285.





State of Wisconsin
Jim Doyle, Governor

Department of Agriculture, Trade and Consumer Protection

Rod Nilsestuen, Secretary

October 25, 2007

To: The Honorable Jeffrey Plale, Chair
Senate Committee on Commerce, Utilities and Rail

From: Jim Rabbitt, Director, Bureau of Consumer Protection
Department of Agriculture, Trade and Consumer Protection

Re: Senate Bill 285 relating to regulation of certain telecommunications utilities and the Public Service Commission's jurisdiction over public utilities in general.

The Department of Agriculture, Trade and Consumer Protection is testifying for information on Senate Bill 285. The department supports legislation that allows persons who provide telecommunications services to compete equally and looks forward to working with the sponsors and interested parties to accomplish those goals.

This important and far reaching bill has the potential to significantly change the regulatory landscape for Wisconsin telecommunications utilities and the consumers who pay for those services. For this reason, the department urges the legislature to move slowly and carefully consider the policy, fiscal, business, and consumer impact of each section of the bill.

We understand that one major goal of SB 285 is to permit telecommunications utilities to be able to compete, not only with their counterparts, but with businesses who provide communication services through other technologies. As you know, consumers may choose to receive their telecommunications services through traditional telephone, wireless, cable television, and even some electric providers. Additionally, voice communication may be provided through the same device and systems as data and Internet service which is usually bundled into one consumer package. We want to insure that Wisconsin laws that provide both open competition and consumer protection apply uniformly to all persons who provide telecommunications service without regard to the type of provider or technology.

Equally important, we want to make certain that consumers retain at least as many protections as they currently have. At this point, however, the effects of this bill are not entirely clear, in part because the bill repeals a number of statutes currently under the jurisdiction of the PSC. What is clear is that under current law, which is unchanged by this bill, activities by telecommunications providers that are no longer regulated by the PSC will fall under fair trade practice laws administered by DATCP.

For example, the PSC tariff will be replaced by individual consumer subscription agreements subject to DATCP law, and consumer complaints concerning these agreements will be directed to DATCP. Also, deregulated utilities, for the first time, will be unregulated in their promotional activities. When long distance telecommunications were deregulated in 1993, complaints about

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October 25, 2007

telecommunications increased to the point that they immediately went to the number one consumer complaint received by DATCP and have remained in the top two for more than a decade. Based on this experience, we can predict with some certainty that under SB 285, the competitive promotional practices that will follow, as well as the misunderstandings that arise from the individual customer subscription agreements, will also generate significantly increased numbers of consumer complaints.

We will be happy to work with the sponsors of this bill, the industry proponents, and the PSC to arrive at a bill that will accomplish the stated goals of the industry while ensuring consumer strong protections.



WISCONSIN CALLS

Customers for Affordable Local and Long Distance Service

October 25, 2007

State Senator Jeffrey Plale
Chair of the Senate Committee on Commerce, Utilities and Rail
Room 313 South
State Capitol
Madison, WI 53707-7882

Re: Senate Bill 285

Dear Senator Plale:

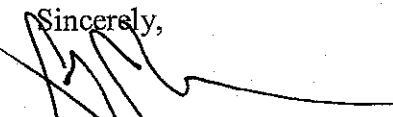
On behalf of Wisconsin CALLS, I write to express our views concerning Senate Bill 285.

CALLS is an association of competitive phone companies and customer groups who seek to protect and advance competition in the phone industry. Chief among our concerns is that the Public Service Commission of Wisconsin has adequate authority to police wholesale service disputes between competing phone companies. Earlier drafts of your proposal would have, in our view, negatively impacted the PSC's authority in this regard, and you kindly changed the bill to address this issue. In making these changes, we worked closely with the Wisconsin State Telecommunications Association, the bill's chief proponent, and I would also like to express my appreciation to that organization's leadership for their flexibility and willingness to redraft the bill along the lines we suggested. Based on those changes, CALLS as an organization is neutral on the bill.

I am aware that certain customer groups within CALLS have other concerns regarding the perceived rate and regulatory impacts of your proposal on retail telecommunications service. It is my understanding that a dialogue is under way in an effort to address the concerns of these customer groups.

Thank you again.

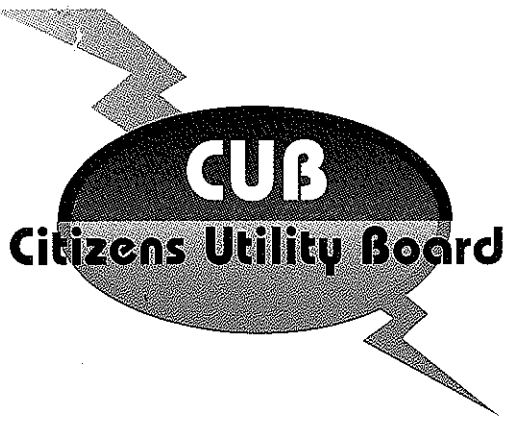
Sincerely,


CURT F. PAWLISCH
Attorney for Wisconsin CALLS

cc: Members of the Senate Committee on Commerce, Utilities and Rail

AARP Wisconsin • Citizens Utility Board • Wisconsin Alzheimers Association • Wisconsin Association of Accountants, Inc.
Wisconsin Independent Businesses, Inc. • Wisconsin Local Government Telecommunications Coalition
Wisconsin Rental Housing Legislative Council • Wisconsin Retired Educators' Association • Covad Communications Group • McLeodUSA
Norlight Telecommunications • Northern Telephone & Data • Powercom • TDS Metrocom • Time Warner Telecom

P.O. Box 1443, Madison, WI 53701 • Phone: (608) 204-0065 • Fax: (608) 251-2883 • www.wisconsinincalls.org



October 25, 2007

The Honorable Jeff Plale
Chair, Senate Committee on Commerce, Utilities, and Rail
State Capitol
Madison, WI 53707

Re: SB 285, relating to local telephone service.

Dear Chairman Plale:

On behalf of the Citizens Utility Board of Wisconsin, I would like to provide you with some of our concerns regarding SB 285, relating to the regulation of local telephone service.

The Citizens Utility Board of Wisconsin (CUB) is a member-supported nonprofit organization that advocates for reliable and affordable utility service. CUB represents the interests of residential, farm, and small business customers of electric, natural gas, and telecommunication utilities before regulatory agencies and the courts.

CUB is concerned that this legislation would unnecessarily remove important consumer protections regarding local phone service.

State law requires local phone companies to provide basic land-line telephone service, technically known as "basic local exchange service." This service provides customers with a dial tone and the ability to make local calls, and is still utilized by millions of residents throughout Wisconsin.

This bill would, in two years, allow local phone companies to completely opt out of oversight by the Public Service Commission for basic land-line telephone service. This bill would allow phone companies to charge much higher prices for this critical service, and phone companies would no longer be required to provide notice to their customers of rising prices.

The bill would allow phone companies to engage in "price discrimination": charging higher prices to certain customers for the same type of service they provide other customers at lower prices. For example, phone companies could raise prices for phone service in areas where there is no competition, and could lower prices in areas where there is competition. Unless prohibited, price discrimination can force rural customers, elderly customers, and other less-profitable customers to unfairly pay higher prices for phone service.

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The legislation would allow phone companies to charge customers based on the duration of the call, even if it is a local telephone call.

The bill may greatly curtail the ability of customers to file and pursue complaints against local phone companies.

The bill would severely limit the financial and technical information submitted to the Commission by local phone companies, and would require the commission to withhold the information from public inspection. The phrase "and the commission shall withhold the information from public inspection," which appears on p. 4, lines 8-9 and 22-23, does not inspire confidence that this bill is in the public interest.

Section 1 of the bill adds language to 196.02(4)(a), which would affect all public utilities, including electric and gas utilities. The language, "that is reasonably necessary" would introduce vague, undefined terms to a section of law that gives the Commission the authority to obtain information from public utilities.

To address these concerns, we believe that the Public Service Commission should open an investigation to explore the issues regarding further deregulation of local telephone service. An investigation conducted by the Commission would allow all interested parties to state their case regarding laws that should be retained, modified, or deleted. Such an investigation would help ensure that important consumer protections remain in place while appropriate regulations affecting telephone companies are streamlined or eliminated.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Charlie Higley". The signature is stylized with a large, looping "C" and a long, sweeping underline that extends to the right.

Charlie Higley
Executive Director



**TESTIMONY OF CARRIE COX
VICE PRESIDENT, LEGAL AND REGULATORY AFFAIR - TELEPHONE
CHARTER COMMUNICATIONS, INC**

On

TELECOM DEREGULATION

**WISCONSIN SENATE
COMMITTEE ON COMMERCE, UTILITIES AND RAIL
MADISON**

October 25, 2007

Introduction

Good morning Chairman, members of the committee and guests. My name is Carrie Cox and I am Vice President Legal and Regulatory Affairs Telephone for Charter Communications including their voice affiliates, the Charter Fiberlink family of companies. I am responsible for management of the legal and regulatory issues relating to our voice product in all of our market states including Wisconsin. I would like to thank you for the opportunity to offer testimony with you on the issue of telecommunications deregulation and how that effort relates to Internet Protocol voice communications more familiarly known as IP voice or V-o-I-P and CLEC participation in the telecommunications marketplace.

Background on Charter and Its Voice Offerings

Charter is a broadband communications company with over 16,000 employees and approximately 5.7 million customers in twenty-nine (29) states. Charter's broadband network passes 11.7 million homes, to which we offer a full range of advanced broadband services including digital cable programming, broadband Internet access, advanced broadband cable services and telephone service. Charter Telephone is delivered primarily utilizing an Internet Protocol-enabled platform run over the cable company's privately managed hybrid fiber-coaxial network. Today, Charter serves over 700,000 primarily residential customers in eighteen (18) states including Wisconsin.

Considerations Regarding Deregulation/Application of Regulation to Voice Services

Because Charter is aggressively deploying its voice services it relies on a having a clear regulatory environment where the rules on the playing field are understood and followed by all teams in the game. In this respect, Charter believes that clear, concise, and reasonable policies regarding the deployment and management of VoIP are an important key in delivering this advanced service to the consumer.

VoIP is the first legitimate competitive opportunity able to bring voice competition to the masses in a way intended by the Telecom Act and the various state legislatures including Wisconsin. Cable voice deployment represents a truly unique opportunity for facilities based voice competition – as our and our fellow cable providers success in Wisconsin thus far clearly indicates.

Although the competitive marketplace for VoIP services is far from mature today it is growing and maturing. Incumbents and competitors alike are striving to capture and hold as much market share as possible during this maturing process. Naturally, this circumstance creates some tension between the competing providers (including both incumbent providers and competitive entrants). Each party is necessarily striving to maximize its position in the competitive landscape. The competitive nature of the incumbent/competitor interaction tends to cause disparate views of what regulation should apply to various types of providers. In a seemingly never ending struggle, the providers battle it out in the legislative and regulatory commission arenas.

It is clear that in order for the providers in this game to make progress in delivering new services to consumers, they will need to work together to come up with

reasonable and workable solutions to the regulatory regime battle raging between the incumbent and competitive providers.

Recognizing this is not only necessary in this case but also a sound approach. In fact, Charter has, along with its cable phone brethren, engaged with the incumbent providers on the issue of regulation and deregulation in Wisconsin. Although clearly not at a point of total agreement today, the various providers are in discussion and will continue to be in discussion on these issues in order that we may reach a reasonable and meaningful point of agreement which not only supports voice competition in Wisconsin, but as, or more importantly, provides a winning result for Wisconsin's consumers as well.

Charter believes that it is appropriate to have in place certain "good citizen" requirements for all providers including 911 operations, CALEA compliance, USF contribution, TRS ability and contribution, and regulatory fee assessment and has, in fact, had in place these items for its voice customers since day one. This is notwithstanding that the FCC only recently required some of these items to be implemented for interconnected VoIP providers. Charter's record is clear; we take our citizenship very seriously and we understand the bigger picture that these requirements support.

Charter currently has certificates of authority in all states where it offers phone service even in cases where the same might not be required. This effort has been undertaken by Charter primarily because we also use our certified CLEC entity to obtain interconnection services. Interconnection rights are and will remain a key to Charter's ability to offer competitive services in Wisconsin.

To be clear, Charter isn't convinced that full deregulation of the incumbent providers is appropriate, nor that VoIP providers should be able to avoid any and all

responsibility. Charter does wonder if there is a connection between collection of government subsidy and some level of regulation or whether there should be a stepped approach to deregulation wherein the provider seeking the deregulation is allowed the opportunity to illustrate that it can operate in a deregulated environment and still meet its own social obligations to the consumer without frustrating or obstructing its competitors. Establishment of a means to build trust based on actual and measurable results if you will.

Wisconsin statutes are somewhat unique in that they provide regulatory relief to ILECs seeking alternative telecommunications utility status. Many small ILECs have sought and been granted this designation. Alternative regulation allows significant regulatory relief for companies seeking this status. Oddly enough, even where a company is granted regulatory relief via alternative regulation, it is not required to consent to competitive entry because Wisconsin Statute 196.50 allows small ILECs in Wisconsin to challenge competitive entry. We do believe that the Wisconsin Public Service Commission seeks waivers by ILECs of their rights under 196.50 to keep competitors out of their markets, but agreement to competitive entry is not statutorily required in order to obtain regulatory relief under alternative telecommunications status.

Charter is neutral on this particular legislation at this point. We would like to be in a position to fully support this legislation and we believe that removal of 196.50 from Wisconsin's statutes would go a long way toward leveling the competitive playing field in Wisconsin. Removal of 196.50 would alleviate the PSC of having to manage this issue as part of the Alternative Regulation process and illustrate the ILECs are serious about supporting competition in this state by all providers.

Summary

The process of coming to discern where regulation should be applied and where forbearance should be applied is one of balance based on reason, fact, and circumstance.

At the end of the day, Wisconsin has the opportunity to be a leader on this issue.

Thank you Mr. Chairman for the opportunity to present this testimony to you today.

**TESTIMONY OF VINCENT PALADINI
SENIOR COUNSEL, TELEPHONY
TIME WARNER CABLE**

**BEFORE THE WISCONSIN SENATE COMMITTEE ON COMMERCE,
UTILITIES AND RAIL**

**HEARING ON
2007 SENATE BILL 285**

October 25, 2007

Good afternoon Chairman Plale and members of the Committee.

My name is Vincent Paladini, and I am Senior Counsel for Telephony at Time Warner Cable. Thank you for the opportunity to speak with you here today about Time Warner Cable's views on Senate Bill 285. I respectfully request that my statement be included in the record.

Time Warner Cable is the nation's second largest cable operator, serving nearly 15 million video subscribers and over 7 million broadband subscribers in 27 states. Time Warner Cable offers subscribers a wide array of entertainment and communications services, and we have recently added to this mix a highly competitive facilities-based voice offering, as well as a new wireless offering that integrates Time Warner Cable's voice, video, and data services with Sprint's wireless voice services.

Today I would like to focus my remarks on the pending Senate Bill 285 by addressing one particular aspect of the bill: the portion relating to the ability of incumbent LECs to grant consent to entry of competitors pursuant to Section 196.50 of the existing Wisconsin telecommunications statute. To be clear, Time Warner Cable is neutral on the pending bill and neither supports nor opposes it. We would, however, like to address the portion relating to entry by competitors into the Wisconsin areas served by the small telephone companies that would benefit from adoption of this bill.

Time Warner Cable appreciates that, through the Wisconsin Cable Association, it has had the opportunity to work with the small telephone companies to reach an agreement that both the cable industry and the small telephone companies could support regarding the deregulation of incumbent LECs in Wisconsin. We have been and remain committed to working on an industry-wide basis throughout the entire legislative process so that you may be presented with a bill that addresses the concerns of both industries and that will benefit competition, consumers, and the public interest in the least intrusive way possible.

We believe, however, that the current version of the pending Senate Bill 285 could be improved in one important way. Section 7(e) of the bill states that the telecommunications utilities that reap the deregulatory benefits of the bill will be deemed to have automatically granted consent to entry by competitors into their service territories. This grant of consent by an incumbent eliminates the need for a statutorily required Public Service Commission proceeding to authorize the competitor's proposed entry into an incumbent small telephone company's service territory. It is Time Warner Cable's view, however, that the portion of the existing Wisconsin statute requiring a Commission proceeding in the absence of an incumbent small telephone company's consent for a competitor's entry into its territory should be eliminated in its entirety.

Section 196 of the existing Wisconsin telecommunications statute provides that competitors may not enter a territory served by a small incumbent telephone company unless either that incumbent consents to competitive entry or the Public Service Commission undertakes a special inquiry into whether entry authority should be granted to the competitor. This inquiry and proceeding is above and beyond the inquiry that the Commission may undertake to determine whether the competitor is qualified to enter territories served by large incumbent telephone companies.

By way of example, in 2004 Time Warner Cable first obtained PSC authority to enter all areas of Wisconsin served by the large telephone companies. In that process, Time Warner Cable demonstrated that it possessed the financial, technical and managerial capabilities necessary to provide competitive telecommunications services in this state. Time Warner Cable was promptly granted authority to enter and compete in the areas of Wisconsin served by large incumbent telephone companies, but, under Section 196.50, that authority did not extend to territories served by small telephone companies.

Thereafter, Time Warner Cable requested from certain small incumbent LECs' consent to enter into their markets, and that request was denied. Time Warner Cable then was required to initiate a contentious proceeding at the PSC that has, to date, been pending for more than a year and has consumed vast

financial and human resources, both on the part of all involved carriers and on the part of the Commission. We believe that this process, as set forth in the existing Section 196.50, is contrary to the competitive and deregulatory goals of both the Telecommunications Act of 1996 and to Wisconsin public policy.

The pending Senate Bill 285 goes a long way by granting automatic consent to entry into any territory served by a small incumbent telephone company that opts into the deregulatory provisions of this bill. However, we believe that the requirement that qualified facilities-based competitors, in the absence of actual or implied consent from the applicable incumbent telephone company, undergo a separate and more demanding PSC proceeding merely to gain permission to enter certain Wisconsin telecommunications markets should be eliminated in its entirety.

Doing so would serve the public interest as well as Wisconsin's expressed goal of promoting facilities-based competition, which will more rapidly bring increased choice, innovation and lower prices to all Wisconsin consumers, not merely those who happen to reside in areas served by large incumbent providers.

Therefore, although we generally support the retail deregulation of all carriers and do not oppose this pending bill, we invite the Committee to consider taking a step beyond what is now contained in this bill. By simply eliminating section 196.50's extra hurdle for competitors' entry into areas served by small

telephone companies, you can ensure that Wisconsin consumers will reap the demonstrated benefits of competition rapidly and efficiently.

* * *

Mr. Chairman and Members of the Committee, we are excited about the future and believe that establishing a truly deregulatory environment in which providers feel confident to invest, innovate and deploy new technologies will best serve the public interest. We look forward to continuing to work with the industry and legislators in Wisconsin toward that goal. I thank you again for the opportunity to discuss Time Warner Cable's view of Senate Bill 285, and I would be happy to answer any questions you may have.



Sprint Nextel
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Overland Park, KS 66251
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Patrick R. Fucik
Director, Central Region
State Government Affairs
913-315-9155

Sprint Nextel Opposes SB 285 in Current Form

Proposed Wisconsin Deregulation Legislation

(LRB 2220/5)

Overview:

The proposed telecom deregulation language contained in SB 285 provides substantial benefits resulting in deregulation for Incumbent Local Exchange Carriers (ILECs) including:

- **Price increase flexibility** - allows ILECs to increase rates 15% for basic local service in the first 2 years, and an unlimited amount thereafter;
- **Deregulation** - eliminates Wisconsin Public Service Commission (WPSC) jurisdiction over ILEC services and deregulates bundled services immediately; and
- **Reduced reporting** - reduces reporting requirements of ILECs to the WPSC.

While enabling incumbent telephone companies to raise rates for basic local services and bundles and reducing WPSC oversight enriches Wisconsin's incumbent telephone companies, it provides no benefits to Wisconsin's consumers. Moreover, the proposal fails to promote competition.

Specifics:

Presumably, the ILECs contend the marketplace is adequately competitive to justify this reduced regulation. Unfortunately, while retail phone competition is beginning to make inroads the dominant incumbents retain and abuse their market power to deny or delay competitive entry and impose inflated costs on their competitive rivals in the form of high intrastate access charges. Those charges are subsidies paid by interexchange (long distance) carriers to deliver traffic from their customers to ILECs. The result is fewer choices and higher prices for Wisconsin's consumers. In stark contrast, Sprint Nextel's counter proposal will speed competitive entry into all areas of Wisconsin, including rural areas, and reduce intrastate access charges giving Wisconsin customers cost savings and improved customer service.

Do Wisconsin Legislators want to allow for substantial rate increases on basic local service with consumers receiving nothing in return?

If SB 285 were to pass, ILECs will be given a windfall. They will be permitted to increase basic local rates AND continue to impose excessive access fees on competitors. Requiring access rate reductions is a necessary pre-requisite to any regulatory relief granted to the incumbents. Wisconsin consumers will benefit from the lower calling costs and increased competition afforded by reducing bloated access fees. Decreased access rates are a necessary competitive safeguard – competitors should not be forced to subsidize the ILECs they compete with by being forced to pay inflated access charges.

Counter Proposal:

1. Add access reform language that reduces the intrastate access rates of Wisconsin ILECs to the same level as their interstate access rates.
 - There are no cost differences between completing an intrastate call and interstate call and the rates paid by interexchange carriers for an intrastate call should mirror the interstate rates. **This is required by statute (196.196) for carriers electing price cap regulation rather than rate of return regulation.**
 - Complete deregulation of basic local service and bundles as proposed must include a required decrease in intrastate access charges similar to the decrease required for carriers electing price cap regulation.
 - Reduced intrastate access expenses will result in consumers benefiting from increased investments of providers in Wisconsin.
2. Add Sprint Nextel proposed language that allows for state-wide certification of Competitive Local Exchange Carriers (CLECs).
 - Current law requires ILECs that have under 150,000 access lines to "consent" to competition or a hearing process is initiated that considerably delays the offering of competitive choice.
 - Section 7(e) of the deregulation proposal makes CLEC entry contingent upon ILEC election of deregulation and requires 60 days notice. In other words, ILECs control when they are ready to accept competition. This contradicts the Wisconsin Legislature's already stated goals to promote competition and federal law requiring states to allow for competition in the local phone markets.
 - State-wide certification upon a showing of sufficient managerial, technical and financial capabilities eliminates the ILECs ability to delay competition and this provides customer choice where it is limited now and results in lower prices.
 - ILECs are arguing for statewide certification of their video offerings to compete with the cable companies. CLECs, including ones affiliated with cable companies, should have the same ability to bring competitive choice to the local phone markets in the more rural areas of Wisconsin.

If SB 285 were amended by adding language on access rate reform and state-wide CLEC certification, Sprint Nextel would be in a position to support the bill.

Thank you for your consideration of Sprint Nextel's position on SB 285.



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Madison, WI 53703 www.aarp.org/wi

October 25, 2007

To: Senate Committee on Commerce, Utilities and Rail

From: Patricia Finder-Stone, AARP Wisconsin State President
Gail Sumi, AARP Wisconsin State Issues Advocacy Director – 286-6307

Re: SB 285, deregulating basic phone service and removing PSC protection

Thank you for the opportunity to testify on Senate Bill 285, which would deregulate telephone service rates, terms and conditions in Wisconsin. SB 285 would remove significant consumer protections, as well as restrict the jurisdiction of the Public Service Commission over public utilities. My name is Pat Finder-Stone. I am AARP Wisconsin State President. AARP Wisconsin has 819,000 members in Wisconsin.

AARP Wisconsin believes it is important to maintain consumer protections for people who rely on basic phone service as a basic necessity. People age 65 and older are more likely than any other age group to have traditional wireline telephone service. These are the folks who may call their daughter or son daily just to check in, or they may get a call from the neighbor to make sure they are doing OK. In fact, basic service is the service that customers have relied upon for years and it has been the focus of regulation. Unless that regulation continues, older people may be forced to subscribe to services they neither need nor want. Telephone service is a service to the public and should be maintained and regulated.

In recent years, advances in technology have changed the way people communicate and transformed the old rotary phone into a multi-service device. Today, customers may choose from a variety of services such as DSL, various calling features such as call-waiting, voice mail and caller ID, wireless phone service and even video services in some areas of the country. While the list of offerings is almost overwhelming, the list of providers of these services to residential customers certainly is not. Residential customers have a limited choice of providers—usually the incumbent phone company, often also the cable TV provider - and if they already subscribe to broadband from the telephone or cable company, internet-based services may be an option.

While there are high-end consumers who are interested in purchasing packages of services, there are also customers who may only want basic phone service with one additional feature, such as Caller ID. In any of these instances, customers should not be required to relinquish all existing customer protections simply for the ability to bundle their services.

I want to draw your attention to the LRB Analysis, Page 2 of the bill, the second full paragraph that starts with "Beginning on the dates..." I won't read the whole paragraph, but AARP Wisconsin opposes this bill in part because as proposed SB 285 would do the following:

"with respect to its basic and nonbasic retail services, a telecommunications utility is not subject to the following statutory requirements:

- 1) certain reporting, filing, tariffing, caller identification, and promotional rate requirements;
- 2) pricing requirements for basic local exchange service, small business standard business access lines and usage, and basic message telecommunications service;
- 3) infrastructure investment requirements;
- 4) a prohibition against charging residential customers for basic local exchange service based on the duration of a call or on the time of day of the call;
- 5) requirements regarding discontinuance of service;
- 6) a prohibition against providing certain electronically published news, feature, or entertainment material;
- 7) requirements regarding rate increases that apply to telecommunications that have less than 50,000 access lines in this state;
- 8) requirements regarding charging different rates for certain types of service;
- 9) requirements for PSC investigations regarding rates, services, and other matters;
- 10) requirements for PSC approval of certain contracts;
- 11) certain requirements regarding municipal authority over public utility services and physical plant additions and extensions;
- and 12) requirements applicable to the issuance of securities."

We appreciate the negotiations that we've had with Senator Plale's staff and the Wisconsin Telecommunications Association. I would like now to turn to AARP Wisconsin's State Issue Advocacy Director, Gail Sumi for more on that and the details of the bill.

I understand that as a result of our negotiations there will be an amendment proposed by Senator Plale and some of the other stakeholders. It goes a long way to protecting basic service but we continue to have major concerns about the bill.

The amendment is intended to protect "basic service", which we very much appreciate. It would eliminate the 2-year timeframe for deregulation of basic retail service and the ability of relevant phone companies to raise the basic service rate by 15% during a 2-year transition period.

This deregulation would have been done absent any specific finding that consumers have viable service options at comparable prices. However, as you know, there is little competition for the bare bones basic service, which is relied upon by many who are on fixed incomes.

The amendment helps, but we continue to have concerns.

For example, the bill offers only a **vague definition of "basic retail service."** The amendment does not change this definition. For Wisconsin utilities to offer a truly meaningful basic service option, AARP strongly believes the definitions should be broadened to include the following elements: usage (i.e., unlimited flat rate local calling to communities of local interest), primary directory listings, touch-tone dialing service, access to operator services, access to directory assistance services, access to 911 emergency service, the ability to report service problems, and Lifeline assistance. The definition in the bill does not include dial tone for example, which means that charges and conditions for dial tone, which is essentially the same as the line that runs into your home, would no longer be regulated.

In the alternative, AARP suggests adoption of current Wisconsin Statutes, 196.01 (1g) that defines basic local exchange service instead of the new definition offered in SB 285.

We want to ensure that the Wisconsin Public Service Commission retain regulatory authority over basic service, but also **retain authority over service quality, complaints, and customer service matters, like service disconnection.** I'm not sure that the amendment accomplishes that.

Even if amended, AARP would continue to have concerns about consumers who choose bundled services. **If the basic phone service is part of a bundle of services, then the consumer loses any protections for basic service.** Even if amended as proposed, SB 285 would eliminate Commission oversight over basic service on the effective date of the notice electing to be exempted from regulation if basic service is bundled with non-basic services. Again, if basic service is part of a bundle, then the Commission must retain authority over service quality, complaints, and customer service matters.

In general, SB 285 would delete important sections of current Wisconsin telecommunications law for those who bundle services limiting the jurisdiction of the PSC over marketplace abuses and complaints made by consumers with regard to the terms and conditions of telephone services. That is why it is necessary for the Commission to retain oversight of terms and conditions of service and the authority to handle complaints and enforce customer service rules even if a customer bundles services.

Moreover, when it comes to the bundling of services, AARP is concerned about the **allocations of partial bill payments.** AARP strongly believes that any partial bill payment should be allocated first to the payment needed to retain basic local telephone service. The amount of payment needed to retain basic service should be reflected on the customer bill for bundled service. Consequently, if

a customer can only make a partial payment, he or she will know the minimum amount that must be paid in order to retain essential basic service.

One question – under SB 285 phone companies would be exempt from “requirements of PSC approval of certain contracts.” **Does this mean the basic service would be provided on a contract basis?** Who is going to provide protection for consumers and who is going to read the fine print? Who will guarantee that consumer can make comparisons on an apples to apples basis and that the price is affordable?

SB 285 would also **limit the PSC's authority to collect information from phone companies.** Current law allows the PSC to obtain "any" information necessary to enable the PSC to perform its duties. However, SB 285 would only allow the PSC to obtain information "reasonably" necessary to perform its duties, which would severely limit the Commission's ability to carry out its functions.

SB 285 would remove local service from PSC oversight without any showing of effective competition for basic local service or for bundled services. Absent competition, the market should be regulated.

Thank you for your consideration.